



The Impact of Direct Compensation Towards Employees' Performance at Opal Coffee Cafe & Resto Medan

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ABSTRACT

One of the most important factors that could be developed is the element of employees. In order to reach the goals and target, the companies should not only pay attention on their profits, but also to the employee's welfare and work effective and efficiently. Employees play vital role in bringing about the process of production/ process. Therefore, a fair and attractive compensation system is a must for every business and organization. The happy employee will results in good performance. Direct compensation refers to monetary benefits offered and provided to employees in return of the services they provide to the organization. The writer did observation in the shop and the writer found out that the employees' performance is not good. They have lack (finish their reports slowly and low discipline where the employees leave the office on time and rarely want to spend much more time in the restaurant to do other additional jobs. The writer will use the total population in Opal Coffee Cafe & Resto Medan which is 32 employees. The writer uses Arikunto Sampling theory. The sample size is 32. The writer uses census sampling technique which the writer takes all population as sample. In analyzing data, the writer used some methods such as data descriptive, the validity test, the reliability test, the correlation test, the determination test, linier regression, and the hypothesis test. According to the result calculation data through the answers of the respondents, the writer got the result of 0.602 which means direct compensation has a strong relation or impact towards employees' performance at Opal Coffee Cafe & Resto Medan. From the calculation of determination test, the writer got $z_{count}=3.34$. The $z_{count} > z_{table}$ ($3.34 > 1.96$). This means the Null hypothesis (H_0) is rejected. The writer can conclude that direct compensation has impact towards Employees' performance at Opal Coffee Cafe & Resto Medan.

INTRODUCTION

The term globalization has spread around the world at this time. Globalization is causing a growing free trade and competition between companies to be able to grab market share is becoming increasingly stringent. The company is expected to transform the challenges of globalization as a golden opportunity for success, to be able to make this happen then the company is expected to have high competitiveness that can survive global competition and can win at this point. The increasingly fierce global competition urging companies have techniques that can be used to make the changes and mechanisms in order to make the necessary adjustments in order to encourage business activity. Change is focused on activities that include the policies of Human Resource Management. A company should be able to manage, direct and control and supervise all the factors. One of the most important factors that could be developed is the element of employees. In order to reach the goals and target, the companies should not only pay attention on their profits, but also to the employee's welfare and work effective and efficiently. Employees play vital role in bringing about the process of production/ process. Therefore, a fair and attractive compensation system is a must for every business and organization. The happy employee will result in good performance. According to Phillips (2012:216): Direct

compensation includes the traditional practices of base salary and bonus as well as non-traditional pay plans involving a variety of bonus collectively, they provide increasing of employees' performance". observation in the restaurant and the writer found out that the employees' performance is not good. They reports slowly, lack of discipline where the employees leave the office faster and rarely want to spend much more time in the restaurant to do other additional jobs even though there is overtime payment.

The theories and the previous result of the research problem used to describe the variable and the relation of the research variable. Besides, the theoretical framework is aimed to be the foundation in developing research model and the formula of hypothesis. In doing research, the writers uses some theories that are relevant to this topic by describing variables on the relationship between the research variables. A theoretical framework contains the kinds of variables which will be used in field of research and guides your research, determining what things that should be measure and statistical relationship that you are looking for.

Theoretical framework show relationship between one variable with another variable, which the independent variable affects the dependent variable. Direct Compensation will play the role as a independent variable (variable x), and employees' performance will play the role as a dependent variable (variable y). Variable y depends on variable x, these two variables is the measurement that will be explained more detailed.

METHODOLOGY

The writer does descriptive quantitative research for her skripsi writing. Research design is all process in planning and doing the research. A good research design is those that can result in a logical and systematic conclusion. The research design used by the writer is by using correlation method with correlation formula (the Pearson Method) and surveying (distributing questionnaires). To prove the hypothesis the writer mentioned above, the writer uses two analysis methods such as:

Descriptive research is also known as statistical research. It is the scientific method which involves observing and describing the characteristic of the population that being studied. The purpose of using this method is to test the hypothesis or to answer the question that is relevant with the current status or subject that being examined.

Correlative research is designed to gather evidence about the influence relationships between two variables that exist in the research or study. The main sources of data for correlation research are interrogating respondents through questionnaires.

Population is defined as the set of individuals, items, or data from which a statistical sample is taken and also called universe. Sample is a set of individuals or items selected from a population. For the sampling theory, the writer will use Arikunto sampling theory. According to Arikunto (2006), "If the research subjects are less than 100 people, it is better to take all of them, so that this research is population research. Furthermore, if the subjects are large, a sample of 10%-15% or 20%-25% or more can be taken." (If the sample of the research is less than 100 people, it is better to apply the entire sample so that the research is sample research. Then, if the sample is large, the sample used is 10% - 15% or 20% - 25% or more). For this research, because the population is the employees is 32 people. As the population is not more than 100 people, the writer takes 100% of population which are 32 employees become the sample. This sampling technique is called as census sampling. Census sampling method is method which takes all the population as the sample.

The analysis method which used is the correlation analysis method or regression. The correlation is usually two related actions, if want to measure about the strength of that two relation it must be write in the variable value, the example are x and y value.

Validity test

Validity is a measure that shows the levels of validation. A valid instrument has a high validity; on the other hand, a less valid instrument has a low validity. The scale used for the result of r (validity):

Table 1. Validity Scale

Score	Intervals
0.00 – 0.20	Low data validity
0.21 – 0.40	Low but sure data validity
0.41 – 0.60	Moderate validity
0.61 – 0.80	High validity
0.81 – 1.00	Very high validity

Reliability Test

The purpose of this test is to determine the precision of a measurement (consistency) as measured by the variance of repeated measurements of the same object. The writer uses Cronbach’s Alpha formula in proving that the data are not error. The formula is shown below as follow:

Alpha Formula:

Table 2. Reliability Scale

The scale use for the result of α (reliability)	
$\alpha < 0.60$	Poor data reliability
$0.60 < \alpha < 0.80$	Acceptable data reliability
$\alpha > 0.80$	Good data reliability

Correlation test

The author use Pearson coefficient correlation, this correlation test can be used to know the correlation between independent variable and dependent variable. The formula is:

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{(n \sum x^2 - (\sum x)^2)(n \sum y^2 - (\sum y)^2)}}$$

Which:

r = coefficient correlation

n = total sample

x = independent variable

y = dependent variable

The scale used for the result of Correlation Test:

Table 3. Correlation Scale

Score (<i>r</i>)	Correlation
-1	Perfectly strong and negative
0	No relationship
0.00 - 0.199	Significantly low and positive
0.20 – 0.399	Low and positive
0.40 – 0.599	Moderate and positive
0.60 – 0.799	Strong and positive
0.80 – 0.999	Significantly strong and positive
+1	Perfectly strong and positive

Determination test

Determination test is tested in order to find out how the relation of variable X to the variable Y in the term of percentage. The result of correlation coefficient will determine the value of determination in percentage. The formula is:

$$D = (r)^2 \times 100 \%$$

Which:

D = coefficient of determination

r = coefficient of correlation

The scale used for the result of Determination Test:

Table 4. Determination Scale

5%-49%	Low
50%	Average
51%-99%	High

Linear Regression Equation

Regression analysis is a statistical data technique that analyses the linear relationships between two variables by estimating coefficient for an equation for a straight line. The formula is:

$$Y = a + b x$$

x = independent variable

y = dependent variable

n = number of observation

- a = vertical axis intercept
- b = slope of the regression line
- X = mean of independent variable
- Y = mean of dependent variable

Hypothesis Test

Test of hypothesis is conducted by comparing the z-table value and the z counted value in order to test whether the value is accepted in certain area. The formula is:

$$z = \frac{r \sqrt{n-1}}{\sqrt{1-r^2}}$$

Which:

z = test of hypothesis

n = sample size

r = the correlation between variable x and variable y
The scale used for the result of hypothesis test is:

Margin of error = 5%

Level of Configuration = 95%

The scale used for the result of hypothesis test is:

$-Z_{table} \leq Z_{count} \leq Z_{table}$	}	thus H_0 is accepted and H_a is rejected
$-Z_{table} \leq -Z_{count}$		Null Hypothesis (H_0) is rejected and
$Z_{count} \geq +Z_{table}$		Alternative Hypothesis (H_a) is accepted

RESULTS

Validity Test

The next, the writer will calculate the validity test. The test of data validity was done in order to know the validity of the questions in the questionnaires. The tables above is the results of validity test of each questions of variable X (Direct Compensation), From question 1 to question 6, the value of

the validity test is more than 0.80 which in the scales is indicated as Very High Validity. The tables above is the results of validity test of each questions of variable X (Direct Compensation), From question 1 to question 6, the value of the validity test is more than 0.80 which in the scales is indicated as Very High Validity. The tables above is the results of validity test of each questions of variable Y (Employees' Performance), from question 7 to question 11, the value of the validity test is more than 0.80 which in the scales is indicated as Very High Validity.

Reliability Test

The test of reliability is counted form the results of questionnaire for variable x and variable y. To ensure the data is reliable, the writer uses Cronbach's Alpha formula. The calculation of the reliability test is as follows:

Cronbach's Alpha	N of Items
.957	11

To check whether the questionnaires are reliable or not, the writer needs check at the scale of the reliability test. The reliability test the writer got is $0.957 > 0.80$ which means the questionnaires are good reliable or trustworthy and consistent.

Correlation Test

From the above data, it can be used to calculate the coefficient correlations between variable x (Direct Compensation) and variable y (Employees' Performance) by using "Coefficient of Correlation" formula from Pearson:

		Compensation	Performance
Compensation	Pearson Correlation	1	.602**
	Sig. (2-tailed)		.000
	N	32	32
Performance	Pearson Correlation	.602**	1
	Sig. (2-tailed)	.000	
	N	32	32

** . Correlation is significant at the 0.01 level (2-tailed).

From the calculation of correlation coefficient between Variable X (Direct Compensation) and Variable Y (Employees' performance), the writer got the result of 0.602. In the table of scale of correlation test, the value of 0.602 is indicated as strong. This means that direct compensation has a strong relation or impact towards employees' performance at Opal Coffee Resto and Cafe Medan.

Determination Test

Next to know how much the impact of direct compensation towards employees' performance, it can be calculated by using "Coefficient of Determination" formula:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.602 ^a	.362	.341	2.06193

a. Predictors: (Constant), Compensation

It means the impact of direct compensation towards employees' performance is affected by 36.2%. Thus, the impact of direct compensation and employees' performance is 36.2 % and the rest of 63.8% is affected by other factors which were not discussed.

Linier Regression

The next step is tested by using the "Regression Equation" formula:

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.229	2.455		2.130	.041
	Compensation	.532	.129	.602	4.128	.000

a. Dependent Variable: Performance

According $y = a + bx$ \longrightarrow $y = 5.229 + 0.532x$ At
 regression equation $y = 5.229 + 0.532x$.

To be more detail, from the above result, writer will obtain the exact formula in testing the data as follow: $y = 5.229 + 0.532x$

If $x = 0$	$y = 5.229 + 0.532 (0)$	$= 5.229$
If $x = 1$	$y = 5.229 + 0.532 (1)$	$= 5.761$
If $x = 2$	$y = 5.229 + 0.532 (2)$	$= 6.293$
If $x = 3$	$y = 5.229 + 0.532 (3)$	$= 6.825$

After the calculation, the writer concludes that when direct compensation ($x=0$), the employees' performance (y) is 5.229. When the ($X=1$), the employees' performance is 5.761 (increases 0.532). This means, the increase of direct compensation will lead to the increase of employees' performance.

Hypothesis Test

The writer used the z test to test the hypothesis as the sample size is more than 30 people. The calculation is as follows:

$$\begin{aligned}
 z &= \frac{r}{\frac{1}{\sqrt{n-1}}} \\
 &= \frac{0.602}{\frac{1}{\sqrt{32-1}}} \\
 &= \frac{0.602}{0.18} \\
 &= 3.34
 \end{aligned}$$

The confidence level of hypothesis test is 95% or 0.95, since use the two- tailed hypothesis test, $0.95/2=0.4750$. The z_{table} is 1.96. From the calculation above, the writer got $z_{count}= 3.34$. The $z_{count} > z_{table}$ ($3.34 > 1.96$), this means the Null hypothesis (H_0) is rejected and the alternative (H_a) is

accepted. So, direct compensation has impact towards Employees' performance at Opal Coffee Cafe & Resto Medan.

DISCUSSION

Based on the data and calculation that is done the result and analysis:

For variable X, the result mean, median, mode are 18.84, 18,17 means most of the respondents answer "Average" with the direct compensation and for variable Y, the result of mean, median, mode are 15.25, 15, 15 means most of the respondents answer "Average" with the employees' performance in Opal Coffee Cafe & Resto Medan.

From the results of validity test, has shown that all the questions from the questionnaire have the coefficient exceeding 0.300. The validity test of the questions of variable X (Direct Compensation) and Y (Employees' Performance) got value very high validity.

The result of the reliability is 0.957, which means the questionnaires are good reliable or trustworthy and consistent.

From the calculation of coefficient correlation between variable x and variable y, resulted 0.602. This means direct compensation has a strong relation or impact towards employees' performance at Opal Coffee Cafe & Resto Medan.

The impact of direct compensation and employees' performance is resulted at 0.362. It means impact of direct compensation towards employees' performance is affected 36.2% and the rest of 63.8% is affected by other factors.

At regression equation $y = 5.229 + 0.532x$. The increasing of 1 of the company's direct compensation can increase 0.532 of employees' performance.

From z Test, it shows that the $z_{count} > z_{table}$ ($3.34 > 1.96$), this means the Null hypothesis (H_0) is rejected and the alternative (H_a) is accepted. So, direct compensation has impact towards Employees' performance at Opal Coffee Cafe & Resto Medan

CONCLUSION

The writer cordially would like to present some conclusions which are as follows:

Based on the calculation, direct compensation has an impact on employees' performance. It is showed when the writers used the test of correlation test and linear regression test and proven that there is relationship between variable X (direct compensation) and variable Y (employees' performance), by which the increasing in the value of variable X the value of variable Y are also increase. Therefore, the Null Hypothesis (H_0) is rejected and Alternative Hypothesis (H_a) is accepted.

Based on the calculation of determination, the result is 36.2% means that direct compensation has a low impact towards the employees' performance at Opal Coffee Cafe & Resto Medan.

RECOMMENDATION

The writer uses them as recommendations. The recommendations are as follows:

Opal Coffee has to increase the salary to the employees. The company can increase the employees who have been working long time such as for more than 3 years and above as financial motivation is the most effective way to motivate the employees.

Opal Coffee offers the interesting overtime payment per hour and gives meal fees to the employees so the employees who work overtime will be happy and satisfied being paid.

Opal Coffee offers more often incentive salary pay as a bonus paid when specified performance objectives are met. This may inspire them to set and achieve a higher performance level and is an excellent motivator to accomplish farm goals.

Opal Coffee synchronize the salary payment with the job descriptions of the employees. The company adjust the payment with each employees' jobs and responsibilities.

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